

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

--	--	--	--	--	--	--	--	--	--

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2016/2017

BFN2044 – BANK MANAGEMENT

(All sections / Groups)

26 MAY 2017
3.00 p.m – 5.00 p.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 3 pages with 4 questions only.
2. Attempt **ALL FOUR** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answer in the Answer Booklet provided.

Question 1

- a) You are given the following information for Gazebo Bank for 2015 and 2016:

Items	2015 (RM million)	2016 (RM million)
Interest income	55	61
Interest expense	38	45
Noninterest income	5	58
Noninterest expense	8	11
Special income and expense	1	2
Total Assets	986	1,042

Please compute the followings:

- (i) Net interest margin (NIM) for 2015 and 2016. (4 marks)
 - (ii) Net noninterest margin (NNIM) for 2015 and 2016. (4 marks)
 - (iii) Return on assets (ROA) for 2015 and 2016. (8 marks)
 - (iv) Based on the above results, what can you conclude about this bank referring to its ROA, NIM and NNIM? (3 marks)
- b) Why do bankers pay close attention today to the net interest margin (NIM) and noninterest margin (NNIM)? (6 marks)

Question 2

- a) BNP Bank has an interest sensitive assets of RM225 million and interest sensitive liabilities of RM168 million. Its total assets and total liabilities are RM250 million and RM200 million respectively. Based on this information, calculate the followings:
- (i) Dollar interest-sensitive gap. (2 marks)
 - (ii) Relative interest-sensitive gap. (2 marks)
 - (iii) Interest sensitivity ratio. (2 marks)

Continued...

- b) First National Bank provides you the following information of its monthly total deposits and total loans.

Month	Total Deposits (RM million)	Total Loans (RM million)
January	654	819
February	629	805
March	606	841
April	582	860
May	576	873
June	576	861
July	600	871

- Calculate the changes of total deposits from previous month for each month. (3 marks)
- Calculate the changes of total loans from previous month for each month. (3 marks)
- Calculate the sources and uses of fund for this bank. (6 marks)
- Identify which months the bank is in liquidity deficits and liquidity surpluses. (3 marks)
- Explain four (4) measures that this bank can apply to meet its liquidity deficits. (4 marks)

Question 3

- What are the principal types of loans that can be offered by the bank? (7 marks)
- What are some warning signs to bank management that a problem loan may be developing? (8 marks)
- TNB Bond is currently selling for RM950 with a RM1,000 par value and pays RM50 interest for 3 years after retirement. Current yield to maturity on comparable bonds are 12%. Calculate the bond's duration and the percentage change in bond price, if the market interest rate falls to 10%. (10 marks)

Continued...

Question 4

- a) What are contingent liabilities for a business and why might they be important in deciding whether to approve or disapprove a business loan request? (10 marks)

- b) You are given the following rates for ABC Bank:

Rates	Percentage (%)
Loan Funds Cost	4
Non-funds Operating Costs	0.5
Default Risk Premium	0.375
Inflation Risk Premium	0.45
Term Risk Premium	0.625
Profit Margin	0.25

- (i) Calculate the loan rates that ABC Bank wants to offer to Monsterdeal Inc. (3 marks)
- (ii) How much is the interest that this customer has to pay for a RM10 million business loan? (2 marks)
- c) Briefly explain the following types of business loans:
- (i) Term loans
 - (ii) Revolving credit lines
 - (iii) Interim construction financing
 - (iv) Project loans
 - (v) Acquisition loans

(10 marks)

End of Page